



SENATOR MAYES MIDDLETON

DISTRICT 11

February 12, 2024

Debbie King
Chair, Actuarial & Underwriting Committee
Texas Windstorm Insurance Association
4801 Southwest Parkway
Building 1, Suite 200
Austin, TX 78735

Chair King,

The TWIA Actuarial & Underwriting Committee is scheduled to discuss and make recommendations to the TWIA Board of Directors regarding the 2024 probable maximum loss (PML).

I applaud the Committee's decision to not utilize the disastrously inaccurate short-term surface water temperatures last year. Despite the Committee's recommendation to increase the PML by nearly \$1 billion, the Board of Directors made the decision to select a lower PML and use their authority to purchase reinsurance in excess of reinsurance, should they see fit.

As you deliberate, I urge you to weigh the real world impacts of your recommendation to the Board of Directors. Any recommended increase in the PML would result in less excess revenue being deposited into the Catastrophe Reserve Trust Fund, TWIA's first line of defense in the face of a storm. Additionally, the current state of the reinsurance market should be considered by the Committee. It is not fiscally conservative nor healthy for the Association to over-purchase over-priced reinsurance. Reinsurance, which TWIA has paid billions for but not drawn on under the current funding structure. Further, increasing the PML results in increased costs by the Association, resulting in increased upward pressure on rates, falling squarely on the shoulders of TWIA policyholders.

The probable maximum loss is a floor, not a ceiling. The Legislature established the PML as the minimum funding that TWIA must maintain. The Board has been given authority to purchase reinsurance in excess of the PML, should they determine a need for it. Last year when the Board made the decision to set a lower PML and look at purchasing reinsurance in excess of the PML, member insurers advocated strongly against such a purchase, and the Board declined to purchase reinsurance in excess of the PML as a result.

I urge the TWIA Actuarial & Underwriting Committee to recommend the TWIA Board of Directors adopt the lowest modeled PML and consider purchasing reinsurance in excess of the PML as they see fit.

Sincerely,

A handwritten signature in black ink that reads "Mayes Middleton".

Mayes Middleton
Texas State Senator
Senate District 11